FDIC State Profile

Spring 2005

Florida

Florida remains one of the nation's fastest growing states, but income growth lags.

- Florida's economy expanded at a healthy pace through the end of 2004 as tourism, population growth, and residential real estate remained buoyant (See Chart 1). ***Fort Myers*** was the state's fastest growing metropolitan area, while ***Tampa*** experienced the largest net gain in employment. In terms of job growth, the state currently ranks seventh nationwide. One area, however, where the state continued to lag is its comparatively slow pace of income growth.

Tourism grew in 2004 despite the disruption caused by several hurricanes.

- Despite a severe hurricane season, Florida tourism saw gains in 2004. Through November 2004, tourist spending reached record levels. The number of visitors also increased, but this may have been due in part to relief workers coming to the state. Rising hotel occupancy rates in all major markets also reflected further gains in the industry. A depreciating U.S. dollar contributed to increases in the number of foreign visitors. Although the active storm season in 2004 is not perceived as causing permanent damage to tourism, extra funds have been earmarked by the state to promote Florida as a vacation destination.

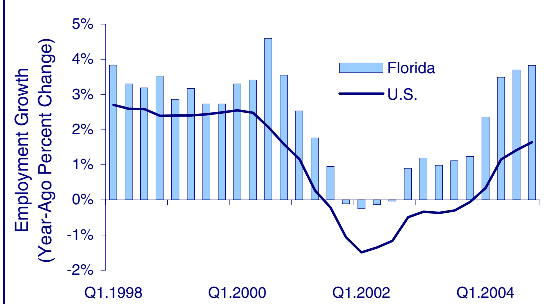
Robust population growth has helped support Florida's strong economic performance.

- Immigration, retirees, and workers seeking employment opportunities continue to underwrite the strength of Florida's economy. At 2.2 percent, the state's population growth is more than twice the national average. The 2004 hurricane season appears, thus far, to have done little to discourage net in-migration to the state—***Allied Van Lines*** recently released a report in which Florida ranked first in terms of in-bound household relocations.

The potential for future active hurricane seasons will remain a continuing concern for the state economy.

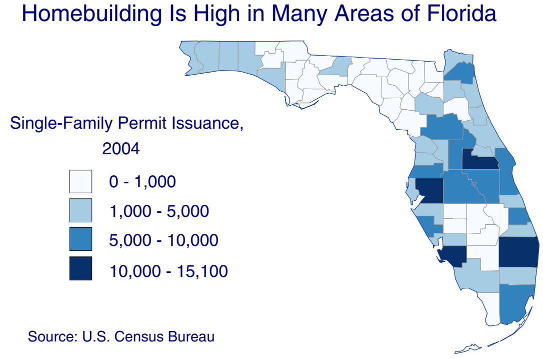
- With at least $18 billion in damages, the 2004 hurricane season will be remembered as one of the most costly on record. Some climatologists have predicted that the region

Chart 1: Job Growth in Florida Remains Well Above the Nation



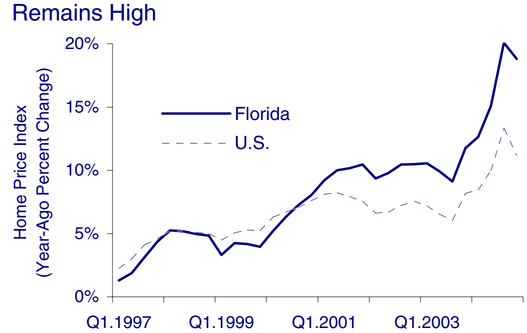
Source: Bureau of Labor Statistics

Map 1:
Homebuilding Is High in Many Areas of Florida



Source: U.S. Census Bureau

Chart 2: Florida Home Price Appreciation Remains High



Source: Office of Federal Housing Enterprise Oversight may be entering a long-term phase in which storms become more powerful and frequent.[1] Forecasters currently predict that the 2005 season will be active with climatic conditions similar to those that spawned the storms of 2004. Favorably, forecasts do not envision as severe a season as 2004. Given the level and pace of development in coastal areas, the potential always exists for significant storm damage in the event of a major storm's landfall.

Home price appreciation in some markets surpassed 30 percent in late 2004.

- As the number of residents in Florida has increased, residential real estate markets have boomed with record setting levels of construction and sales (See Map 1). Similarly, home price appreciation in the state has been well above the national average (See Chart 2). Some areas saw home values increase by more than 30 percent in late 2004 from a year earlier, while the median sales price in ***Naples***, ***Fort Lauderdale***, and ***West Palm Beach*** were in excess of $300,000.

- While the rapid appreciation may be driven by high household formation rates, contract "flipping," particularly in condominium markets, may also be fueling the rapid increases in some areas. Construction and development (C&D) lending was very active throughout the state. During 2004, C&D loans grew 60 percent at the state's community banks[2] and they now compose 11.4 percent of assets, up from 8.5 percent a year earlier. At community banks in Naples, C&D loan exposures have risen to more than 240 percent of Tier 1 capital, which ranks fifth highest in the nation.

Commercial real estate (CRE) has improved as lending exposures rise to this sector.

- Most CRE markets in Florida display some improvement as economic growth has continued. However, a complete recovery in office and warehouse markets remains elusive; vacancy rates in many areas in late 2004 are still near the historically high levels of two years ago and are well above the low rates recorded prior to the 2001 recession. In contrast, retail markets in Fort Lauderdale, ***Miami***, and Tampa have seen substantial declines in vacancies over the past several years.

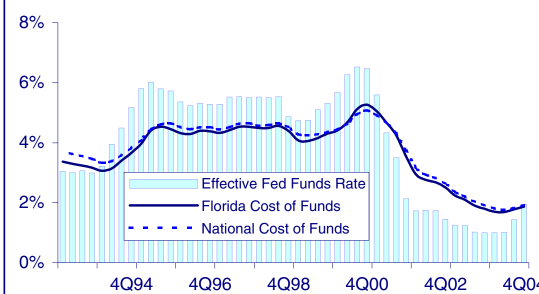
- Growth in CRE has continued despite high office vacancy rates in the state. After slowing some in 2003, CRE loan growth surged ahead in 2004 increasing concentrations by nearly 3 percentage points to 23.5 percent of assets. The state is home to many insured institutions that boast some of the highest CRE exposures in the nation. Several metro areas have CRE lending concentrations that rank among the top 20 nationally. These metro areas include Naples, Fort Lauderdale, ***Melbourne***, ***Fort Walton Beach***, and ***Tallahassee***, where CRE levels range from 495 percent to 590 percent of Tier 1 capital.

Performance was solid at Florida community banks, but funding costs have started to rise.

- Reported earnings performance was good at the state's community banks. Profitability measures were in line with national averages as both net interest margins and return on assets improved to 4.05 and 1.09 percent, respectively, up slightly from a year earlier. Net income grew 32 percent to $542 million during 2004 as higher net interest income and lower overhead expenses contributed to the increase.

- For much of the late 1990s, insured institutions in the state had funding costs that were lower than the federal funds rate, especially during periods of rising rates. Should rates continue to rise, funding costs will likely lag again (See Chart 3).

Chart 3: The Cost of Funds Has Started to Rise at Florida Insured Institutions



Cost of Funds is median quarterly annualized interest expense to interest-bearing liabilities.
Source: FDIC and Federal Reserve

[1]See, for example, Gray, W. M. and P. Klotzbach, Extended Range Forecast of Atlantic Seasonal Hurricane Activity and US Landfall Strike Probability For 2005, Colorado State University, December 2004.
[2]Community banks have assets less than $1 billion and exclude specialty and de novo banks.

Florida at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.8%	1.2%	0.9%	-0.1%	3.5%
Manufacturing (5%)	0.8%	-4.2%	-4.7%	-7.5%	-0.6%
Other (non-manufacturing) Goods-Producing (7%)	9.4%	4.9%	1.8%	3.3%	5.6%
Private Service-Producing (74%)	3.9%	1.4%	1.1%	-0.2%	3.9%
Government (14%)	2.3%	0.8%	1.8%	2.1%	2.8%
Unemployment Rate (% of labor force)	4.7	5.0	5.5	5.9	3.8

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	4.5%	2.6%	3.9%	7.6%
Single-Family Home Permits	10.2%	19.9%	13.6%	19.8%	-1.9%
Multifamily Building Permits	27.0%	10.4%	16.7%	-18.3%	-12.1%
Existing Home Sales	-1.7%	14.7%	12.2%	-0.7%	5.1%
Home Price Index	18.8%	11.8%	10.5%	10.5%	8.0%
Bankruptcy Filings per 1000 people (quarterly level)	1.13	1.30	1.38	1.30	1.10

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	295	304	301	305	311
Total Assets (in millions)	127,320	110,689	99,937	88,804	82,619
New Institutions (# < 3 years)	32	30	35	71	76
Subchapter S Institutions	67	62	55	53	50

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.56	0.83	1.07	1.17	1.12
ALLL/Total Loans (median %)	1.13	1.15	1.20	1.16	1.16
ALLL/Noncurrent Loans (median multiple)	4.13	2.57	2.28	2.16	1.66
Net Loan Losses / Total Loans (median %)	0.02	0.04	0.07	0.07	0.05

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	8.59	8.52	8.50	8.66	8.98
Return on Assets (median %)	0.88	0.81	0.83	0.71	0.72
Pretax Return on Assets (median %)	1.27	1.17	1.23	0.98	1.08
Net Interest Margin (median %)	3.99	3.97	4.22	4.12	4.43
Yield on Earning Assets (median %)	5.42	5.69	6.51	7.72	8.38
Cost of Funding Earning Assets (median %)	1.39	1.64	2.28	3.59	3.91
Provisions to Avg. Assets (median %)	0.17	0.19	0.25	0.23	0.23
Noninterest Income to Avg. Assets (median %)	0.62	0.72	0.75	0.72	0.72
Overhead to Avg. Assets (median %)	2.98	3.15	3.27	3.43	3.61

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	71.2	70.0	69.3	69.2	67.3
Noncore Funding to Assets (median %)	21.0	21.5	21.3	20.5	19.3
Long-term Assets to Assets (median %, call filers)	12.1	14.2	13.3	13.8	11.9
Brokered Deposits (number of institutions)	108	86	71	60	40
Brokered Deposits to Assets (median % for those above)	4.7	4.9	5.3	4.2	3.4

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	76.4	84.2	87.9	84.1	82.0
Commercial Real Estate	419.0	395.4	346.3	318.7	264.8
Construction & Development	84.7	64.7	60.0	51.3	31.4
Multifamily Residential Real Estate	13.4	13.0	11.5	8.4	6.6
Nonresidential Real Estate	237.0	240.5	218.9	211.7	186.5
Residential Real Estate	166.2	175.1	182.5	168.0	180.9
Consumer	17.0	22.5	27.0	31.5	32.0
Agriculture	1.1	2.0	2.3	2.4	1.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)
Miami-Fort Lauderdale-Miami Beach, FL	124	123,860
Tampa-St. Petersburg-Clearwater, FL	60	40,168
Orlando, FL	48	25,711
Jacksonville, FL	37	19,692
Sarasota-Bradenton-Venice, FL	43	14,232

Asset Distribution	Institutions
< $250 mil.	197 (66.8%)
$250 mil. to $1 bil.	76 (25.8%)
$1 bil. to $10 bil.	22 (7.5%)
> $10 bil.	0 (0%)